

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: June 30, 2016

APPLICANT: NHC Health Care, Cookeville
815 Walnut Avenue
Cookeville, Tennessee 38501

CONTACT PERSON: Bruce Duncan
National Health Corporation
100 Vine Street
Murfreesboro, Tennessee 37130

COST: \$4,806,490

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

NHC Health Care, Cookeville located 815 South Walnut Avenue, Cookeville, Tennessee 38501, seeks Certificate of Need approval for the addition of 10 new Medicare certified SNF nursing home beds. The project includes the renovation and construction of a total of 22 private rooms, the 10 previously mentioned and 12 existing patient rooms being converted from semi-private to private rooms. Other renovations include kitchen, dish room, and the addition of a two-story office/storage room building to the existing 94 bed nursing home. When the project is completed the center will have a total of 104 beds. NHC Health Care, Cookeville is certified for Medicare and Medicaid participation.

The total square feet to be renovated is 2,646 and will cost \$154,531 or \$58.40 per square feet. The total square feet of new construction 16,400 and will cost \$2,868,960, or \$174.94 per square foot. The total square footage for the project is 19,046 and will cost \$3,023,492, of \$158.75 per square foot.

NHC Health Care-Cookeville, LLC has one member, NHC/OP, L.P. NHC/OP, L.P. owns 100% of The Health Center of Hermitage, LLC NHC/OP, L.P., also owns 100% in other nursing facilities in various states. The applicant provides information regarding ownership in Attachment Section A, Applicant Profile-4 Type of Ownership or Control.

The total estimated project cost is \$4,806,490 and will be funded through cash reserves as indicated in a letter from the Senior Vice President and Controller of NHC in Section C-Economic Feasibility-2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area is Putnam County. The age 65+ population is 13,677 in 2016, increasing to 14,706 in 2018, and increase of 7.52%.

NHC Health Care-Cookeville is a skilled nursing center with 94 beds complemented by PT/OT and Speech Rehabilitation space offering state-of-the-art equipment and therapies. NHC Health Care-Cookeville was originally constructed in 1975 and contains 29,286 square feet. The proposed project involves the construction of 10 new private rooms and the renovation and conversion of 12 existing semi-private rooms to private rooms. Once the project is complete, the center will have 34 private rooms and 104 total licensed beds. In addition, the project will add 2,000 square feet of therapy space to bring the center more in line with patient needs. Currently the therapy space consists of 159 square feet of office space and 600 square feet of patient treatment area.

NHC Health Care-Cookeville services include: nursing services, rehabilitation services, dietary services, and consultant services such as medical director, dietitians, pharmacists, gerontologists, therapists, and social workers, housekeeping, laundry, patient assessment program, Discharge planning, respite care, and sub-acute care.

NHC Health Care-Cookeville will provide services to individuals with decubiti ulcers, feeding tubes, catheters, tracheotomies, and medical problems requiring IV's, or other individuals requiring sub-acute care. It is the applicant's policy to make available heavy skilled nursing services to patient requiring such services.

The applicant states the CON should be granted for the following reasons: NHC has a long history of providing quality long term care services in Putnam County. The additional beds will help local residents in need of skilled/rehab services to receive those services in their center of choice.

Putnam County Nursing Home Utilization, 2014

County	Nursing Home	Licensed. Beds	Total Days of Care	Licensed Occupancy
Putnam	Bethesda Health Care Center	120	28,554	65.23%
Putnam	Kindred Transitional Care and Rehabilitation*	175	18,147	30.0%
Putnam	NHC Health Care-Cookeville	94	31,670	92.3%
Putnam	Standing Stone Care and Rehabilitation Center	115	34,759	82.8%
Total		504	114,130	62.0%

Joint Annual Report of Nursing Homes, 2014 Final, Tennessee Department of Health Division of Policy, Planning, and Assessment

*Now Signature Healthcare of Putnam County and has a 91.1% occupancy based on 3 months of data.

The Department of Health, Division of Policy, Planning, and Assessment calculated the nursing home bed need for Putnam County to be 670. Subtracting the current 504 beds in the service area, a need exists for 166 beds.

TENNCARE/MEDICARE ACCESS:

NHC HealthCare-Cookeville participates in the Medicare and TennCare/Medicaid programs. The applicant contracts with TennCare MCO's AmeriGroup, BlueCare, United Healthcare, and TennCare Select.

In year one, the applicant projects Medicare revenues of \$1,975,102 or 79.23% of total net operating revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 154 of the application. The total project cost is \$4,806,490.

Historical Data Chart: The Historical Data Chart is located on page 168 of the application. The applicant reports 30,170, 31,671, and 31,573 patient days with respective occupancies of 87.93%, 92.31%, and 92.02% in 2013, 2014, and 2015, with net operating revenues (\$2,110), \$69,111, and (\$9,718) each year, respectively.

Projected Data Chart: The Projected Data Chart is located on page 171 of the application. The applicant projects 34,692 and 35,044 patient days with respective occupancies of 91.39% and 92.32% in years one and two of the project, with net operating revenues of (\$18,047) and \$47,361 each year, respectively.

The following table provides the proposed facilities charges below.

Proposed Medicaid, Medicare, and Private Pay Charges		
	Year 1	Year 2
Managed Care	\$414.78	\$423.07
Medicare	\$463.23	\$472.50
Private Pay	\$248.80	\$258

The applicant considered several options to this project. One option was to do nothing which was rejected based on the center's occupancy; another option was to request more than 10 beds. This was rejected as well. Fewer than 10 beds was also considered but rejected because CON criteria show a greater need (166 beds). The addition of 10 beds was chosen it makes the best use of the existing resources that are available.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant has transfer agreements with Cookeville Regional Medical Center, Saint Thomas, Vanderbilt, Saint Thomas-Highlands, Livingston Regional Hospital, Erlanger-Chattanooga and other area Putnam County and surrounding healthcare providers. Additionally, NHC-Kingsport has contractual relationships with the Medical Director, Dietary Consultant, Physical Therapist, Medical Records Consultant, and various therapists, physicians, Pharmacist, dentists, optometrists, gerontologists and specialists.

This project will not have any negative effects on the health care system because it does not duplicate services, cause undo competition, and it meets a small portion of the need 166 beds calculated for Putnam County. This project will serve as a referral source for home health agencies, assisted living cents, doctors, and area hospitals.

The proposed project will require the following staff additions.

Position	FTE
LPN	2.8
Housekeeping	2.10
Nurse's aides	4.0
Medical Records staff	0.25
Dietary	1.05
Laundry	0.35
Total	10.55
Direct Patient Care Staffing ratio (hours per patient per day)	4.13

NHC HealthCare-Cookeville has established relationships with Tennessee Tech University and the Tennessee College of Applied Technology-Livingston.

NHC HealthCare-Cookeville is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities.

STATE HEALTH PLAN CERTIFICATE OF NEED STANDARDS AND CRITERIA FOR NURSING HOME SERVICES

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to provide nursing home services as defined by Tennessee Code Annotated (TCA) Section 68-11-201(28). Rationale statements are provided for standards to explain the Division of Health Planning's (Division) underlying reasoning and are meant to assist stakeholders in responding to these Standards and to assist the HSDA in its assessment of certificate of need (CON) applications. Existing providers of nursing home services are not affected by these Standards and Criteria unless they take an action that requires a new CON for such services.

NOTE: TCA Section 68-11-1622 states that the HSDA "shall issue no certificates of need for new nursing home beds, including the conversion of hospital beds to nursing home beds or swing beds," other than a designated number of such beds per fiscal year, "to be certified as Medicare skilled nursing facility (SNF) beds...." Additionally, this statute states that the number of Medicare SNF beds issued under this section shall not exceed the allotted number of such beds per applicant. The applicant should also specify in the application the skilled services to be provided and how the applicant intends to provide such skilled services.

NOTE: An applicant that is not requesting a CON to add new nursing home beds shall have its application reviewed by the HSDA staff and considered by the HSDA pursuant to TCA Section 68-11-1609.

Standards and Criteria

1. Determination of Need.

The need for nursing home beds for each county in the state should be determined by applying the following population-based statistical methodology:

$$\begin{aligned}\text{Need} = & .0005 \times \text{population 65 and under, plus} \\ & .012 \times \text{population 65-74, plus} \\ & .060 \times \text{population 75-84, plus} \\ & .150 \times \text{population 85 +}\end{aligned}$$

The Department of Health, Division of Policy, Planning, and Assessment calculated the nursing home bed need for Putnam County to be 670. Subtracting the current 504 beds in the service area, a need exists for 166 beds.

2. Planning horizon: The need for nursing home beds shall be projected two years into the future from the current year.

The age 65+ population is 13,677 in 2016, increasing to 14,706 in 2018, and increase of 7.52%.

3. **Establishment of Service Area:** A majority of the population of the proposed Service Area for any nursing home should reside within 30 minutes travel time from that facility. Applicants may supplement their applications with sub-county level data that are available to the general public to better inform the HSDA of granular details and trends; however, the need formula established by these Standards will use the latest available final JAR data from the Department of Health. The HSDA additionally may consider geographic, cultural, social, and other aspects that may impact the establishment of a Service Area.

The applicant's service area is within 30 minutes travel time from the facility.

4. **Existing Nursing Home Capacity:** In general, the Occupancy Rate for each nursing home currently and actively providing services within the applicant's proposed Service Area should be at or above 90% to support the need for any project seeking to add new nursing home beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

Putnam County Nursing Home Utilization, 2014

County	Nursing Home	Licensed. Beds	Total Days of Care	Licensed Occupancy
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Total		504	114,130	62.0%

Joint Annual Report of Nursing Homes, 2014 Final, Tennessee Department of Health Division of Policy, Planning, and Assessment

*Now Signature Healthcare of Putnam County and has a 91.1% occupancy based on 3 months of data.

5. **Outstanding Certificates of Need:** Outstanding CONs should be factored into the decision whether to grant an additional CON in a given Service Area or county until an outstanding CON's beds are licensed.

There are no outstanding CONs in the service area.

6. **Data:** The Department of Health data on the current supply and utilization of licensed and CON-approved nursing home beds should be the data source employed hereunder, unless otherwise noted.

The applicant complies.

7. **Minimum Number of Beds:** A newly established free-standing nursing home should have a sufficient number of beds to provide revenues to make the project economically feasible and thus is encouraged to have a capacity of least 30 beds. However, the HSDA should consider exceptions to this standard if a proposed applicant can demonstrate that economic feasibility can be achieved with a smaller facility in a particular situation.

Not applicable.

8. **Encouraging Facility Modernization:** The HSDA may give preference to an application that:
 - a. Proposes a replacement facility to modernize an existing facility.
 - b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if

not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area.

- c. Does not increase its number of operating beds.

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

The project involves the construction of 10 new private rooms and the renovation and conversion of 12 existing semi-private rooms to private rooms. NHC Health Care-Cookeville was originally constructed in 1975 and currently has no private rooms.

9. **Adequate Staffing:** An applicant should document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise, and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. However, when considering applications for replacement facilities or renovations of existing facilities, the HSDA may determine the existing facility's staff would continue without significant change and thus would be sufficient to meet this Standard without a demonstration of efforts to recruit new staff.

The proposed project will require the following staff additions.

<i>Position</i>	<i>FTE</i>
<i>LPN</i>	<i>2.8</i>
<i>Housekeeping</i>	<i>2.10</i>
<i>Nurse's aides</i>	<i>4.0</i>
<i>Medical Records staff</i>	<i>0.25</i>
<i>Dietary</i>	<i>1.05</i>
<i>Laundry</i>	<i>0.35</i>
<i>Total</i>	<i>10.55</i>
<i>Direct Patient Care Staffing ratio (hours per patient per day)</i>	<i>4.13</i>

10. **Community Linkage Plan:** The applicant should describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services to assure continuity of care. If they are provided, letters from providers (including, e.g., hospitals, hospice services agencies, physicians) in support of an application should detail specific instances of unmet need for nursing home services.

The applicant has transfer agreements with Cookeville Regional Medical Center, Saint Thomas, Vanderbilt, Saint Thomas-Highlands, Livingston Regional Hospital, Erlanger-Chattanooga and other area Putnam County and surrounding healthcare providers. Additionally, NHC-Kingsport has contractual relationships with the Medical Director, Dietary Consultant, Physical Therapist, Medical Records Consultant, and various therapists, physicians, Pharmacist, dentists, optometrists, gerontologists and specialists.

11. **Access:** The applicant should demonstrate an ability and willingness to serve equally all of the Service Area in which it seeks certification. In addition to the factors set forth in HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed Service Area. However, an applicant should address why Service Area residents cannot be served in a less restrictive and less costly environment and whether the applicant provides or will provide other services to residents that will enable them to remain in their homes.

The applicant provides post-acute care services primarily to patients being discharged directly from acute care hospitals. NHC is focused on decreasing hospital readmission rates to acute care providers which not only saves the healthcare system money, but results in better quality care and outcomes for patients.

12. **Quality Control and Monitoring:** The applicant should identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program as required by the Affordable Care Act. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives. An applicant that owns or administers other nursing homes should provide detailed information on their surveys and their quality control programs at those facilities, regardless of whether they are located in Tennessee.

The applicant currently meets the Quality Assessment and Assurance requirements by their survey regulations. There are proposed Quality Assurance and Performance Improvement (QAPI) mandated by the Affordable Care Act but these have not yet been finalized. IN the interim, NHC has asked their centers to review CMS documents about QAPI and NHC has drafted a QAPI purpose statement and principles for NHC centers to follow and they develop their own QAPI plan once regulations are finalized.

13. **Data Requirements:** Applicants should agree to provide the TDH and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon and adapted over time to collect all needed information.

The applicant agrees to provide data to HSDA and TDH.

14. **Additional Occupancy Rate Standards:**

- a. An applicant that is seeking to add or change bed component within a Service Area should show how it projects to maintain an average occupancy rate for all licensed beds of at least 90 percent after two years of operation.

The applicant projects occupancies of 91.39% and 92.32% in years one and two of the project.

- b. There should be no additional nursing home beds approved for a Service Area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate

of 90 percent. In determining the Service Area's occupancy rate, the HSDA may choose not to consider the occupancy rate of any nursing home in the proposed Service Area that has been identified by the TDH Regional Administrator as consistently noncomplying with quality assurance regulations, based on factors such as deficiency numbers outside of an average range or standards of the Medicare 5 Star program.

NHC Healthcare-Cookeville is the only facility in Putnam County over 90% occupancy.

c. A nursing home seeking approval to expand its bed capacity should have maintained an occupancy rate of 90 percent for the previous year.

The applicant provides an occupancy summary on page 180 of the application.